

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01
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R 161646Z FEB 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 0227
INFO AMCONSUL OPORTO
USDOC WASHDC

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E.O. 11652: N/A
TAGS: EINV, PO
SUBJ: AMERICAN INVESTMENT PROBLEMS

REF: LISBON 1095

1. THIS CABLE UPDATES REFTEL.

2. DURING LUNCHEON MEETING FEBRUARY 12 AMBASSADOR AND ECON COUNSELOR EMPHASIZED TO MINISTER OF FINANCE MEDINA CARREIRA THE NEED TO MAKE PROGRESS IN RESOLVING FOREIGN INVESTMENT PROBLEMS, PARTICULARLY THOSE OF APPLIED MAGNETICS, GENERAL INSTRUMENTS AND ITT. THEY AGAIN URGED THE CREATION OF GOP CENTRAL POINT OF CONTACT FOR SUCH PROBLEMS. MINISTER SAID HE CONCURRED WITH THAT PROPOSAL, BUT HAD NOT BEE ABLE TO IMPLEMENT IT. HE SUGGESTED THAT EMBASSY RAISE SUBJECT AGAIN WITH PRIME MINISTER. EMBASSY IS PREPARING UPDATED LIST OF COMPANY PROBLEMS FOR PRESENTATION TO FINANCE MINISTER.

3. GENERAL INSTRUMENTS (GIL) OFFICERS MET SEVERAL TIMES DURING PAST WEEK WITH INDUSTRY AND FINANCE MINISTER AND
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SPOKE TO JUDGE HEARING CUSTOMS FRAUD CASE. JUDGE SAID HE COULD IMMEDIATELY RESOLVE CASE BY IMPOSING \$600,000 FINE IF GIL ADMITS GUILT. FINE PLUS PAYMENT OF IMPORT DUTIES FOR PERIOD SINCE EARLY 1975 WOULD COST FIRM ABOUT ONE MILLION DOLLARS. MINISTRIES OF INDUSTRY AND FINANCE HAVE OFFERED SPECIAL BENEFITS WHICH WOULD OFFSET UP TO ABOUT \$400,000 OF THIS COST. GIL IS ATTEMPTING

TO REDUCE THIS PROPOSED SETTLEMENT COST BEFORE DECIDING
WHETHER TO CONTINUE OPERATIONS. PROBLEM OF EXCESS
WORKERS HAS NOT BEEN DISCUSSED.

4. ITT: EMBASSY IS NOT YET AWARE OF ANY GOP RESPONSE
TO ITT SETTLEMENT PROPOSAL.

5. TWO MORE COMPANIES, A.H. LUNDBERG, LDA. AND MUNDET
AND CO., SHOULD BE ADDED TO LIST CONTAINED IN REFTEL:

A.) A.H. LUNDBERG, LDA.: COMPANY ESTABLISHED
APRIL 30, 1968. FIFTY PERCENT OWNED BY A.H. LUNDBERG,
INC., MERCER ISLAND, WASHINGTON. OTHER HALF PORTUGUESE-
OWNED. FIRM INCORPORATED IN PORTUGAL AS CONSULTANT ON
TECHONOLGY FOR CELLULOSE INDUSTRY. COMPANY ALSO IMPORTED
AND DISTRIBUTED EQUIPMENT. FIRM EXPERIENCED MANAGEMENT
LOCKOUT AND TAKEOVER BY WORKERS COMMISSION IN MARCH 1975.
PARENT COMPANY OFFERED TO LIQUIDATE LOCAL FIRM IN 1975,
BUT REQUESTED \$10 MILLION IN DAMAGES. EMBASSY UNAWARE
OF SUBSEQUENT DEVELOPMENTS.

B.) MUNDEL AND CO.: PRINCIPAL SHAREHOLD OF THIS
CORK PRODUCING COMPANY IS MRS. P. MUNDET, U.S. CITIZEN
WHO INHERITED COMPANY FROM HUSBAND. EMPLOYS 1,250 AND
HAS TWO FACTORIES SOUTH OF LISBON. COMPANY HAS HAD LABOR
PROBLEMS SINCE APRIL 25, 1974. U.S. MANAGER PURGED IN
1974. MRS. MUNDET RAN FIRM UNTIL GOP, WITH HER APPROVAL,
APPOINTED ADMINISTRATIVE COMMISSION IN AUGUST 1975. FIRM
REPORTEDLY RECEIVED \$400,000 LOAN AT TIME OF GOP
INTERVENTION. IN LATE 1976 MRS. MUNDET CLAIMED TO
COMMATT THAT, CONTRARY TO AGREEMENT WITH GOP AT TIME OF
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INTERVENTION, SHE HAD BEEN EXCLUDED FROM ANY MANAGEMENT
RESPONSIBILITIES. CASE INCLUDED ON LIST PRESENTED TO
PRIME MINISTER SOARES IN NOVEMBER 1976.

6. EMBASSY IS NOT AWARE OF ANY NEW DEVELOPMENTS AFFECT-
ING OTHER CASES IN REFTEL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 16-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
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